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Title: Scheduling of a Public Hearing for the GLWA FY 2024 Drinking Water State Revolving Fund (DWSRF) Program Project Submittal

Sponsors: Nicolette Bateson

Indexes: Finance

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Attachments: 1. 2 FY2024 DWSRF Public Hearing Notice, 2. 3 Detroit Dearborn and Highland Park Project Plan Summary_20230414

Date	Ver.	Action By	Action	Result
4/26/2023	1	Board of Directors	Approved	Pass

Scheduling of a Public Hearing for the GLWA FY 2024 Drinking Water State Revolving Fund (DWSRF) Program Project Submittal

Agenda of: April 26, 2023
Item No.: **2023-066**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.
Chief Executive Officer
Great Lakes Water Authority

DATE: April 26, 2023

RE: Scheduling of a Public Hearing for the GLWA FY 2024 Drinking Water State Revolving Fund (DWSRF) Program Project Submittal

MOTION

Upon recommendation of Nicolette N. Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approves the Scheduling of a Public Hearing for the GLWA FY 2024 Drinking Water State Revolving Fund (DWSRF) Program Project for May 24, 2023 at 2:00 p.m.** and authorizes the CEO to

take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The Great Lakes Water Authority (the "GLWA") has identified one water system project for submittal to the Michigan Department of Environment, Great Lakes and Energy (EGLE) FY 2024 Drinking Water State Revolving Fund (DWSRF) low interest financing program. This new water system project is not yet included in the FY 2024 to FY 2028 Capital Improvement Plan (CIP) because the project will only move forward if DWSRF funding is received. The deadline for submitting a DWSRF project plan to EGLE is June 1, 2023. Prior to submitting the project plan, GLWA must hold a public hearing to present the project plan, which staff is requesting to be scheduled for May 24, 2023, at 2:00 pm.

The project plan and public hearing notice for the Detroit, Dearborn, and Highland Park Transmission Main Water Metering Project will be posted on the [GLWA website <https://www.glwater.org/>](https://www.glwater.org/). A summary of the project plan will be presented at the public hearing. After the public hearing is closed, a resolution for the projects will be scheduled for action by the GLWA Board of Directors at its regularly scheduled meeting also on May 24, 2023. The resolution must be approved and signed to ensure the finalized project plans are assembled, printed, and submitted to the EGLE by the deadline of June 1, 2023.

The Project:

Detroit, Dearborn, and Highland Park Transmission Main Water Metering Project - The Great Lakes Water Authority (GLWA) provides potable water to approximately 3.9 million Member Partners across 127 municipalities in Southeast Michigan. Each potable water Member Partner has a metered connection which is used to establish the units of service and cost allocation, except for the cities of Detroit, Dearborn, and Highland Park, which are non-master metered communities. This project provides a means of accurately metering these cities. Water master meters are used to identify non-revenue water (NRW), wholesale water demand, help optimize water systems operations, and improve water and energy use efficiency. The total cost of this project this project is currently estimated at \$46.5 million.

JUSTIFICATION

GLWA is seeking low interest loan assistance through the DWSRF program for this project. Although the EGLE interest rate for FY 2024 will not be determined until October 2023, the current year's interest rates are 1.875% for 20-year and 2.125% for 30-year loans. Potential dollar savings are significant when comparing to municipal bond interest rates in a market-based transaction. By way of example, the ten-year financial plan utilizes an estimated rate of 5.0% for future debt. When compared to that plan interest rate of 5%, potential interest savings with a 20-year SRF loan would be \$18.4 million and savings on a 30-year loan would be \$27.4 million. Another advantage of SRF is that interest costs are only incurred on the amount drawn from the SRF loans as project expenditures are being incurred, resulting in additional debt service savings early in the term of the loan compared to market-based transactions. Also, use of SRF funding as junior lien does not impact GLWA debt reserve requirements.

BUDGET IMPACT

Debt service interest payments on these projects would begin in the fall of FY 2025 and will be

included as part of the FY 2025 financial plan. There is the potential for this project to qualify for overburdened status and possible principal forgiveness. EGLE revised the process for qualifying for overburdened status (previously referred to as disadvantaged status) for FY 2024 submissions. To qualify for overburdened status on this project, the debt service related to this project would need to be allocated only to the impacted communities as part of the charges but would also allow for a longer repayment period at the lower interest rate. Savings under EGLE's current overburdened status interest rates allowing a 30-year loan at an interest rate of 1.875% when compared to GLWA's financial plan estimate of 5% interest is \$29.5 million.

COMMITTEE REVIEW

Due to the coordination and timing required between municipalities to finalize this project plan summary, this matter was not reviewed by the GLWA Audit Committee but has been taken directly to the Board of Directors to meet public hearing publication requirements.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.